

January 5<sup>th</sup>, 2024  
Banking, Equity

Price IDR 1,180  
Target Price IDR 1,380  
JKSE Index IDR 7,350.62



## Stock Code

Bloomberg code BJBR IJ  
Market cap (IDR Bn) 12,415.3  
52-Week High (IDR) 1,410  
52-Week Low (IDR) 1,105  
6-m Avg Daily. Val (IDR) 1,159  
Free Float (%) 19.38

## Major Shareholders

Local Government 75.55%  
Other 24.45%

## USD/IDR-YE (JISDOR)

2023A 15,439  
2024F 15,926

## Key Indicators

Non-Performing Loan (%) 1.20  
Net Interest Margin (%) 4.55

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## Investment Consideration

### Negative growth on Net Income

In the first three quarters of 2023, BJBR faced a significant 20.52% YoY decline in net profit, reaching Rp1.42 trillion. This was primarily driven by a substantial 42.01% YoY increase in interest expenses, resulting in a 97-basis points drop in NIM ratio to 4.86%. Despite these challenges, the bank managed to stay profitable through notable gains in securities sales (161.16% YoY) and fees/commissions income (12.93% YoY). Cost efficiency also improved with an -18.14% YoY reduction in salaries and benefits. Looking ahead to FY2023, we project negative net profit growth of -17.84% YoY, reaching IDR 1.88 trillion.

### Strong Growth in Loans and Financing

As of September 2023, BJBR demonstrated robust growth in its consolidated loan and financing, which increased by 10.21% YoY. Loans increased by 9.90%, while Shariah financing and receivables had growth of 14.79%. The Commercial Segment showed the highest growth at 25.76%, while the Consumer segment, being the largest contributor, grew by 6.19% YoY. Other segments, including Mortgage, Corporate, and Micro, also recorded positive growth rates of 15.53%, 14.50%, and 12.61% YoY, respectively. From an economic sector perspective, Trading, Construction, and Industry emerged as the top three contributors, accounting for 36.31%, 27.86%, and 21.14%, respectively. In addition, sustainable finance also experienced robust growth, increasing by 37.4% and accounting for 12.64% of the total portfolio, reaching IDR 15.8 trillion. Looking ahead, BJBR is expected to continue expanding its consolidated loan and financing, and we project a growth of 10.05% for FY23.

### Risk Resilience: BJBR's NPL and Capital Growth

In 9M-2023, BJBR faced challenges with its bank-only NPL ratio rising to 1.26%, influenced by upward trends in all segments. Notably, the Micro segment saw a significant surge to 2.32%, and the Commercial & Corporate segment had the highest NPL ratio at 2.83%, with a 33-basis points increase. The Consumer segment, a substantial part of the portfolio, maintained a commendable NPL at 0.24%, with a marginal 0.01% uptick. The Mortgage segment's NPL ratio increased modestly by 4 basis points to 2.67%. Despite a 5.82% YoY increase in consolidated credit risk-weighted assets, BJBR's Capital Adequacy Ratio (CAR) improved significantly by 2.01%, reaching 19.86%. This improvement was due to a notable reduction in Risk-Weighted Assets. Looking ahead to FY2023, we forecast that BJBR's Bank-Only Gross NPL will stabilize at 1.20%, reflecting improved credit quality. Additionally, the CAR is expected to strengthen further, reaching 20.61%.

### KUB Progress

BJBR is awaiting OJK approval for a capital injection and Fit and Proper Test for Bank Bengkulu to join KUB. Additionally, BJBR is prospecting Bank Sultra and other BPDs to become members of the KUB. An agreement has already been signed with Bank Sultra, and preparations for a Feasibility Study are underway.

### Valuation: 17%, Upside, Hold

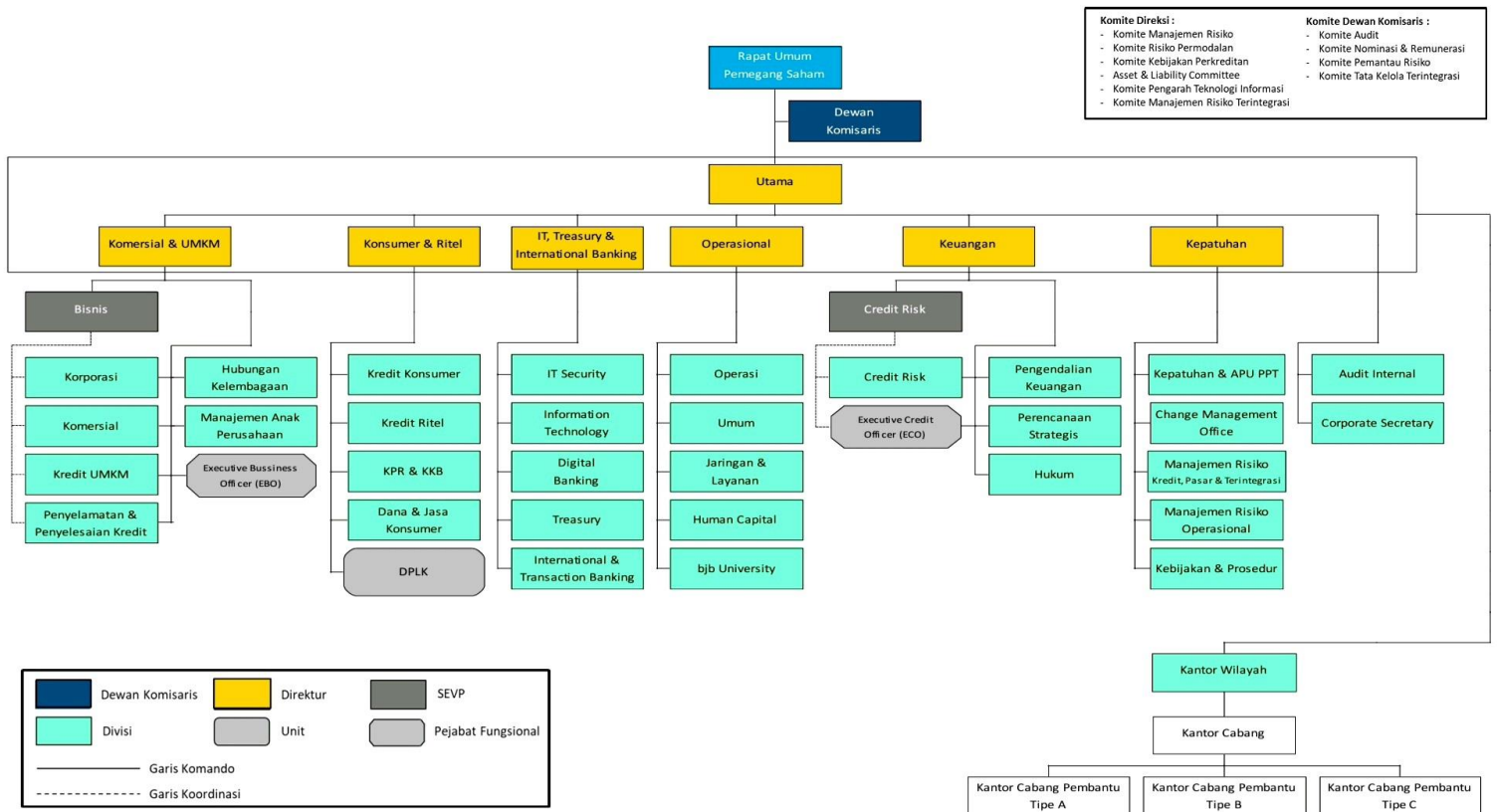
Based on our DDM valuation, we have set a target price of IDR 1,380 within a year, representing a valuation of 0.93x PBV and a potential upside of 17%. Therefore, we have a "Hold" rating on this stock.

Financial Highlight	2019A	2020A	2021A	2022A	2023F
EPS (IDR)	158.42	171.49	206.52	219.02	179.94
NIM (%)	5.75%	5.39%	5.84%	5.86%	4.55%
NPL Ratio (bank-only)	1.58%	1.40%	1.24%	1.16%	1.20%
CAR	17.41%	17.78%	17.98%	19.40%	20.61%

**Company Profile**

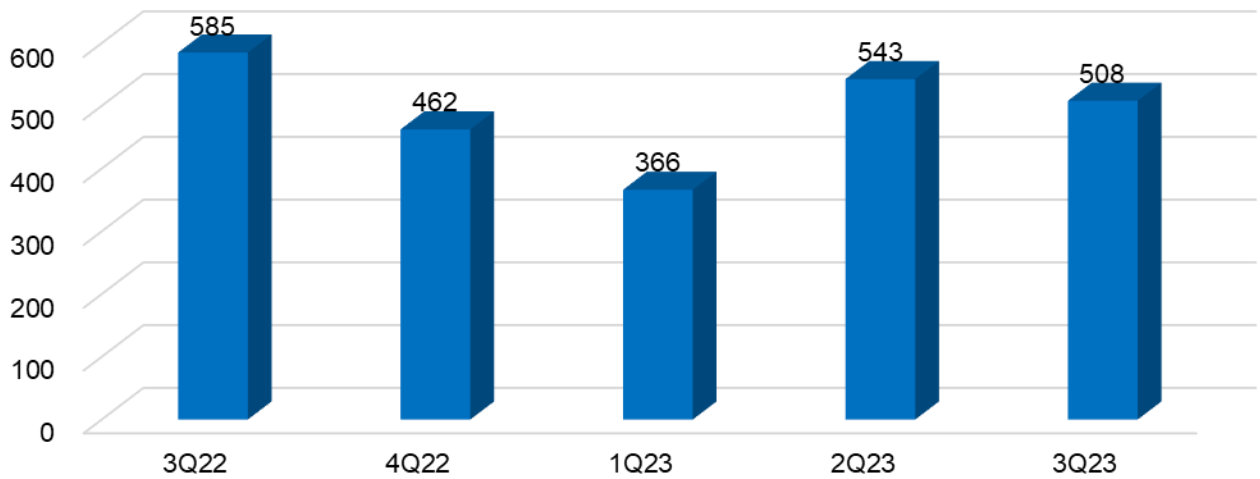
On September 12, 2007, the name of the bank was changed to PT Bank Pembangunan Daerah Jawa Barat dan Banten based on the approval of the Minister of Justice and Human Rights in its letter No. W8-02673HT.01.04-TH.2007. Based on the bank's Board of Directors' Decision Letter No. 1065/SK/DIR - PPN/2007 dated November 29, 2007, the bank changed its name to "Bank Jabar Banten." Based on the letter of Bank Indonesia No.12/78/APBU/Bd dated June 30, 2010, regarding the Amendment Plan of the bank's logo, as well as Board of Directors' Decision Letter No.1337/SK/DIR-PPN/2010 dated July 5, 2010, regarding the Amendment of the name and Logo enforcement of Brand Identity Guidelines on August 2, 2010, the change in the name of "Bank Jabar Banten" to "bank BJB" was made official. The Articles of Association of PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk, as stated in the Deed of Establishment No. 4 dated April 8, 1999, and Establishment Deed Amendment No. 8 dated April 15, 1999, have been amended several times, with the latest update based on the Minutes of the Shareholders' Extraordinary General Meeting of PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk as covered in the Notarial Deed No. 139 dated March 29, 2017. According to article 3 of the bank's Articles of Association, the bank's objective is to engage in the banking business.

**Company Structure**

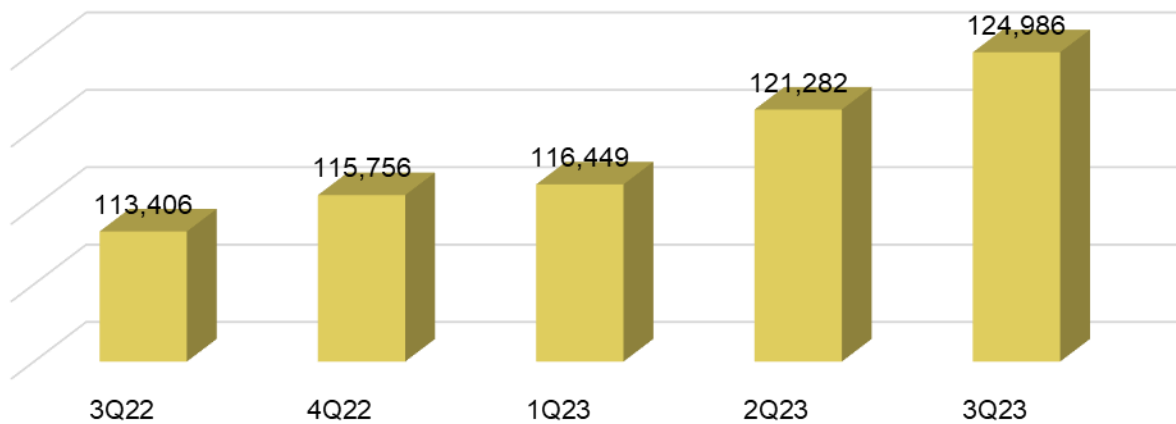


Source: Company

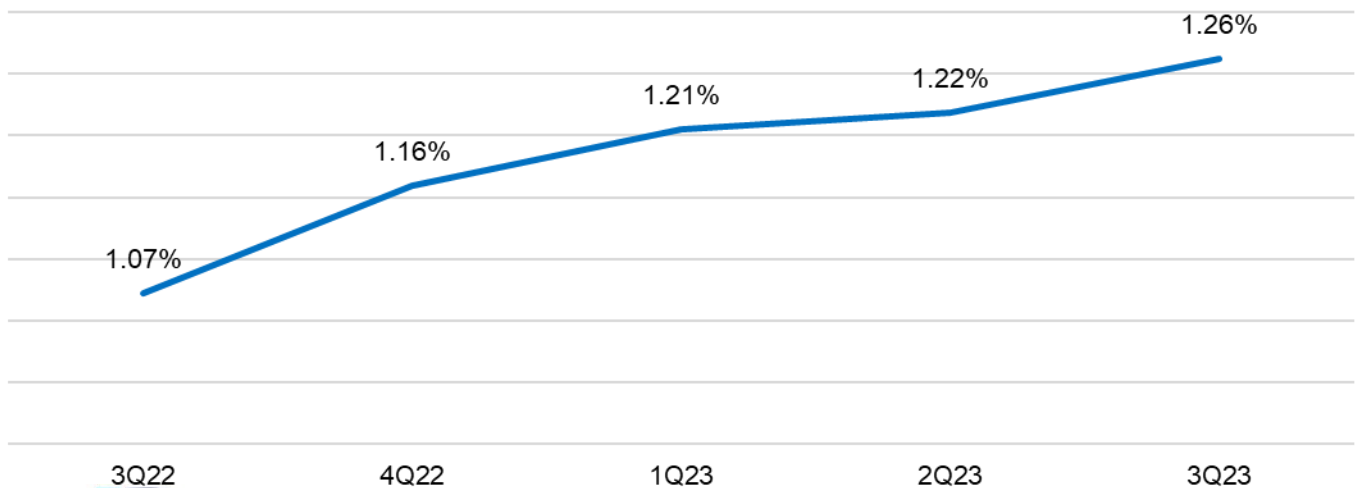
**Chart: Net Income (IDR Bn) QoQ**



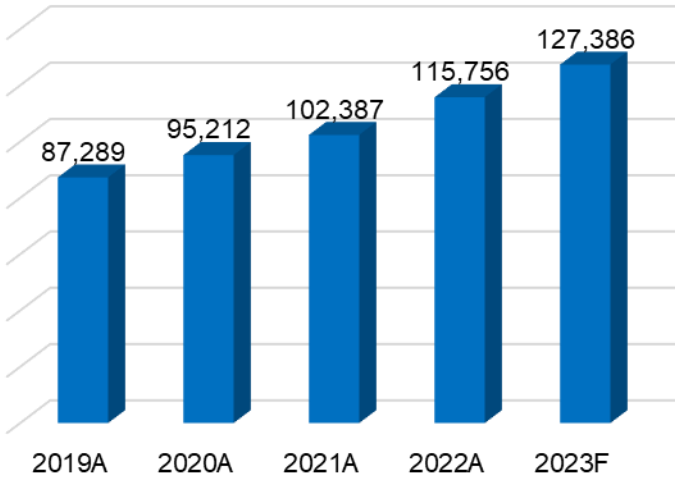
**Chart: Gross Loan (IDR) QoQ**



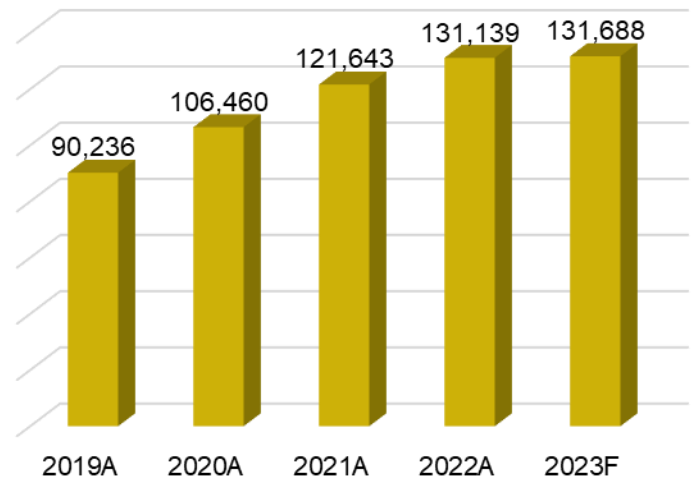
**Chart: Non-Performing Loan (x) QoQ**



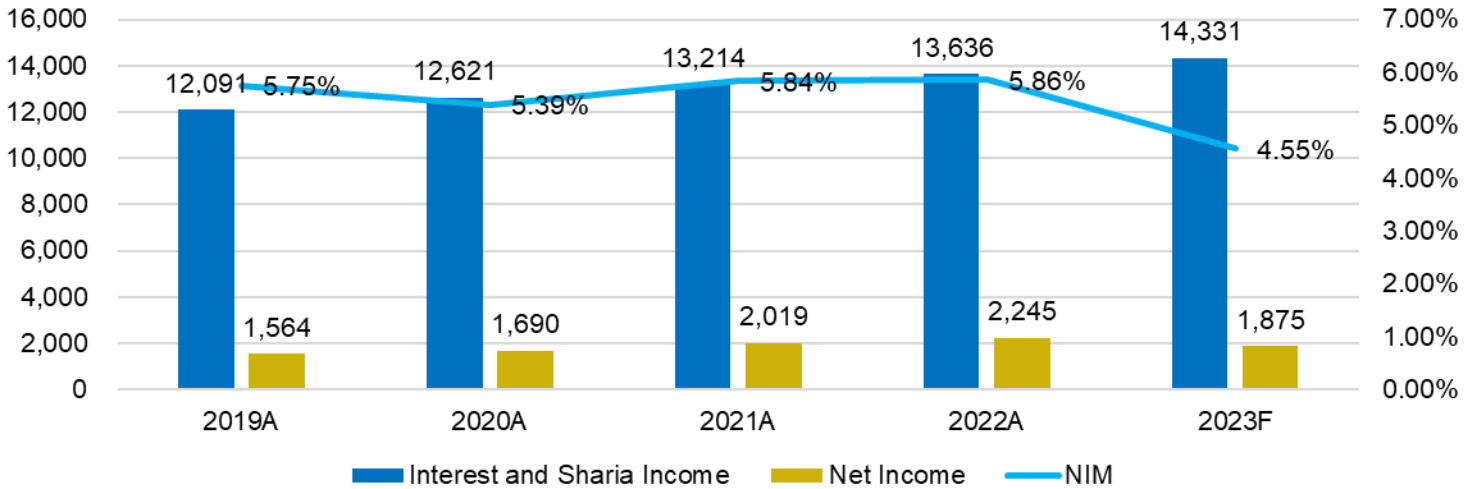
**Chart: Gross Loan YoY**



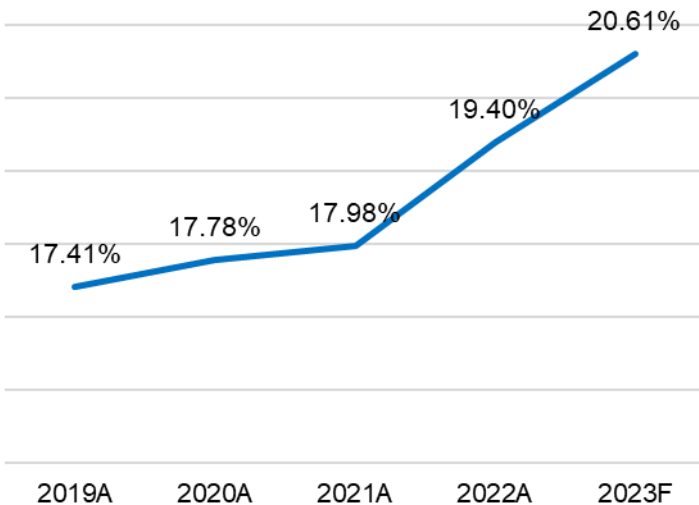
**Chart: Customer Deposit YoY**



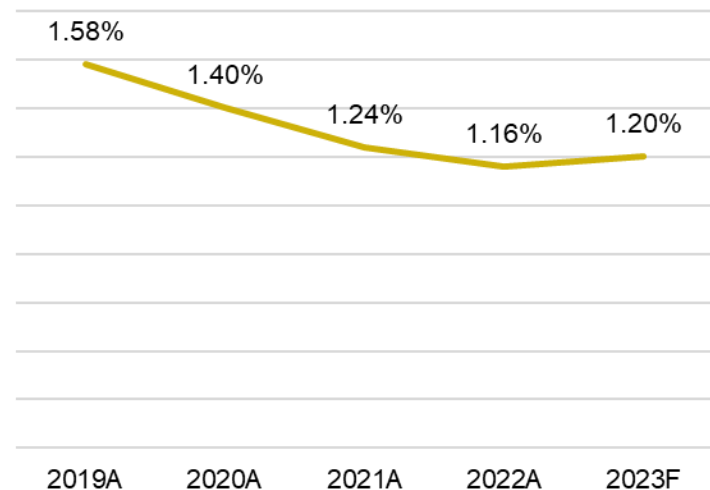
**Chart: Profitability YoY**



**Chart: Capital Adequacy Ratio YoY**



**Gross NPL Ratio (Bank-Only) YoY**



## Balance Sheet (IDR Bn)

Balance sheet (IDR Bn)	2019A	2020A	2021 A	2022A	2023F
Cash and CA with BI	9,673	11,735	15,648	16,333	17,619
Interbank Placement	7,920	5,819	11,429	7,157	1,219
Marketable Securities	8,855	11,501	16,979	27,388	29,771
Gross Loan	87,289	95,212	102,387	115,756	127,386
Allowance for Loans	(836)	(1,913)	(1,939)	(1,792)	(1,700)
Loans-net	86,453	93,300	100,448	113,964	125,685
Other Earning Asset	21,575	29,133	34,915	42,477	30,393
Non-Earning Asset	5,835	6,766	7,345	8,468	8,423
<b>Total Asset</b>	<b>123,536</b>	<b>140,934</b>	<b>158,356</b>	<b>181,241</b>	<b>182,121</b>
Deposit:					
Current Account	21,992	19,664	26,819	25,699	27,544
Saving Account	21,992	23,739	26,742	29,005	28,636
Time Deposits	46,251	63,057	68,082	76,435	75,508
Other Interest- bearing Liabilities	8,934	7,618	8,708	15,509	31,490
Non-Interest-Bearing Liabilities	12,324	14,850	14,922	19,847	3,318
<b>Total Liabilities</b>	<b>111,494</b>	<b>128,928</b>	<b>145,272</b>	<b>166,495</b>	<b>166,496</b>
<b>Total Shareholder's Equity</b>	<b>12,043</b>	<b>12,006</b>	<b>13,084</b>	<b>14,746</b>	<b>15,624</b>

## Income Statement (IDR Bn)

Income Statement (IDR Bn)	2019A	2020A	2021 A	2022A	2023F
Interest Income	12,091	12,621	13,214	13,636	14,331
Interest Expense	(6,009)	(6,123)	(5,314)	(5,228)	(7,116)
<b>Net Interest Income</b>	<b>6,083</b>	<b>6,497</b>	<b>7,901</b>	<b>8,408</b>	<b>7,215</b>
Other Income	1,015	1,458	1,718	1,640	1,908
<b>Gross Operating Income</b>	<b>7,097</b>	<b>7,955</b>	<b>9,619</b>	<b>10,048</b>	<b>9,123</b>
Operating Expense	(4,716)	(5,604)	(6,400)	(6,988)	(6,172)
<b>Pre-Provision Operating Profit</b>	<b>2,381</b>	<b>2,351</b>	<b>3,219</b>	<b>3,060</b>	<b>2,951</b>
Provision Expense	(322)	(139)	(620)	(211)	(520)
<b>Operating Profit</b>	<b>2,059</b>	<b>2,212</b>	<b>2,599</b>	<b>2,849</b>	<b>2,432</b>
Non-Operating Income - net	(82)	(44)	(11)	(13)	(12)
<b>Profit Before Tax</b>	<b>1,978</b>	<b>2,168</b>	<b>2,588</b>	<b>2,836</b>	<b>2,420</b>
Tax Expense	(413)	(478)	(569)	(590)	(544)
<b>Net Income</b>	<b>1,564</b>	<b>1,690</b>	<b>2,019</b>	<b>2,245</b>	<b>1,875</b>
<b>EPS (Rp/Share)</b>	<b>158.42</b>	<b>171.49</b>	<b>206.52</b>	<b>219.02</b>	<b>179.94</b>

## Ratio Highlights

Ratio Analysis (Consol)	2019A	2020A	2021 A	2022A	2023F
<b>Profitability</b>					
NIM	5.75%	5.39%	5.84%	5.86%	4.55%
Cost-to-Income Ratio	68.43%	76.70%	67.00%	70.04%	67.65%
ROE	16.51%	16.95%	19.01%	18.63%	12.34%
ROA	1.68%	1.66%	1.73%	1.75%	1.05%
BOPO	84.22%	83.95%	80.35%	81.94%	85.03%
<b>Liquidity</b>					
LDR	96.07%	83.62%	81.68%	85.03%	90.17%
CASA	47.10%	41.60%	44.70%	42.10%	42.66%
<b>Asset Quality</b>					
Gross NPL (Bank Only)	1.58%	1.40%	1.24%	1.20%	1.20%
Provision Coverage	52.80%	139.40%	150.80%	124.30%	95.36%
<b>Capital</b>					
CAR	17.70%	17.30%	17.80%	19.20%	20.61%
<b>Growth</b>					
Loan Growth	9.12%	9.08%	7.54%	13.06%	10.05%
Deposit Growth	3.72%	17.98%	14.26%	7.81%	0.42%
Net Income Growth	0.78%	8.02%	19.45%	11.23%	-16.47%

**QoQ Result**

<b>Balance Sheet</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>%QoQ</b>	<b>%YoY</b>
Loan	113,406	115,756	116,449	121,282	124,986	3.1%	10.2%
Loan Loss Reserves	(1,923)	(1,792)	(1,831)	(1,880)	(1,934)	2.9%	0.6%
NPL	1,134	1,252	1,306	1,378	1,470	6.7%	29.6%
Deposit							
Demand	34,560	25,699	31,413	28,952	27,695	-4.3%	-19.9%
Savings	25,342	29,005	26,017	26,099	27,606	5.8%	8.9%
Time Deposit	65,123	76,435	72,365	74,029	75,556	2.1%	16.0%
Total Asset	170,207	181,241	175,862	177,694	179,310	0.9%	5.3%
Shareholder Equity	13,963	14,759	15,217	14,904	15,043	0.9%	7.7%
<b>Income Statement</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>%QoQ</b>	<b>%YoY</b>
Interest Income	3,361	3,757	3,427	3,490	3,592	2.9%	6.9%
Interest Expense	1,268	1,539	1,728	1,734	1,814	4.6%	43.1%
<b>Net Interest Income</b>	<b>2,093</b>	<b>2,218</b>	<b>1,699</b>	<b>1,756</b>	<b>1,778</b>	<b>1.3%</b>	<b>-15.1%</b>
Other Income	428	414	437	422	520	23.1%	21.4%
<b>Gross Operating Income</b>	<b>2,522</b>	<b>2,631</b>	<b>2,136</b>	<b>2,179</b>	<b>2,298</b>	<b>5.5%</b>	<b>-8.9%</b>
Operating Expense	(1,683)	(2,107)	(1,585)	(1,431)	(1,504)	5.1%	-10.7%
<b>Pre-Provision Operating Profit</b>	<b>838</b>	<b>524</b>	<b>552</b>	<b>748</b>	<b>794</b>	<b>6.2%</b>	<b>-5.3%</b>
Provision Expense	(107)	90	(100)	(90)	(168)	86.5%	56.8%
<b>Operating Profit</b>	<b>731</b>	<b>615</b>	<b>452</b>	<b>658</b>	<b>627</b>	<b>-4.7%</b>	<b>-14.3%</b>
Non-Operating Income - net	(3)	0	(5)	(0)	(6)	116.2%	66.1%
<b>Profit Before Tax</b>	<b>728</b>	<b>615</b>	<b>446</b>	<b>657</b>	<b>621</b>	<b>-5.5%</b>	<b>-14.7%</b>
Tax Expense	(143)	(152)	(80)	(115)	(113)	-1.6%	-21.2%
<b>Net Income</b>	<b>585</b>	<b>462</b>	<b>366</b>	<b>543</b>	<b>508</b>	<b>-6.4%</b>	<b>-13.1%</b>
<b>EPS (Rp/Share)</b>	<b>57.27</b>	<b>44.77</b>	<b>35.32</b>	<b>52.13</b>	<b>48.92</b>	<b>-6.2%</b>	<b>-14.6%</b>
<b>Ratio (Bank Only)</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>QoQ</b>	<b>YoY</b>
<b>Profitability &amp; Efficiency</b>							
NIM	5.83%	5.86%	4.77%	4.83%	4.86%	0.03	(0.97)
Cost-to-Income Ratio	66.76%	70.04%	75.42%	70.95%	69.43%	(1.52)	2.67
ROE	20.26%	18.63%	11.06%	14.09%	12.00%	0.30	(4.90)
ROA	1.88%	1.75%	1.07%	1.33%	1.10%	(0.23)	(0.78)
<b>Liquidity</b>							
LDR	88.16%	85.03%	86.01%	90.40%	92.40%	2.00	4.24
CASA	48.70%	42.10%	45.00%	43.20%	42.70%	(0.50)	(6.00)
<b>Asset Quality</b>							
Gross NPL	1.07%	1.16%	1.21%	1.22%	1.26%	0.04	0.19
Coverage Ratio	148.90%	124.30%	121.90%	152.90%	114.70%	(4.40)	(34.20)
<b>Capital</b>							
CAR	17.74%	19.19%	21.10%	20.06%	19.62%	(0.44)	1.88

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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